ONLINE APPENDIXES

7

Mandated report: Medicare payment for ambulance services

ONLINE APPENDIX 7-A

History of Medicare's ambulance payment system

Historically, Medicare had used two methods to pay for ambulance services. Medicare had used reasonable costs for providers and reasonable charges for suppliers. Costs were used for providers because they submitted cost reports to CMS as part of the institution (commonly a hospital) they were affiliated with. Charges were used for ambulance suppliers because suppliers did not submit cost reports to CMS (and still do not). The use of these two payment methods meant that providers and suppliers were paid different amounts for the same ambulance services.

In the Balanced Budget Act of 1997, the Congress directed the Secretary to develop a single national fee schedule for Medicare ambulance services, stipulating that the fee schedule should be established through a negotiated rulemaking process and that it should be implemented by 2002. Implementation of the single national ambulance fee schedule began in 2002 and it was fully implemented in 2010. From 2002 to 2005, the new fee schedule payments were blended with the previous reasonable-cost payments for providers and reasonable-charge payments for suppliers.

The Medicare Modernization Act of 2003 (MMA) introduced several temporary payment provisions, including a regional fee schedule that overlapped with the transition to the national fee schedule. Inclusion of the regional fee schedule resulted in blending reasonable cost and customary charge payments, the national fee schedule, and the regional fee schedule. Full implementation of the stand-alone national fee schedule did not occur until 2010 (i.e., the regional fee schedule is no longer in effect). In addition, MMA created two temporary ambulance add-on payment policies, which were scheduled to supplement the national fee schedule amounts through December 31, 2012. MMA created the super-rural add-on payment policy, which provided a 22.6 percent payment increase to transports originating in ZIP codes designated as super-rural by CMS, and the ground transport add-on payment policy, which increased payment for all urban ground transports by 1 percent and all rural ground transports by 2 percent.

After the MMA, several pieces of legislation have either extended or modified the temporary add-on payment policies.[1] Among the most important of them were the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), which extended the ground ambulance add-on payment policy by reintroducing the policy in July of 2008 after a short lapse. As a part of this policy change, MIPPA increased the level of the add-on payment policy from 1 percent to 2 percent for urban ambulance transports and from 2 percent to 3 percent for rural transports. In addition, MIPPA extended an add-on payment policy for rural air ambulance transports to a group of ZIP codes that had recently been reclassified by the Office of Management and Budget as urban.[2] This grandfathering provision of the rural air ambulance add-on payment policy is one of the ambulance payment policies the Commission was asked to examine.

Most recently, the American Taxpayer Relief Act of 2012 (ATRA) extended both the temporary ground ambulance add-on payment policy and the temporary super-rural add-on payment policy until January 1, 2014, and extended the temporary air transport rural grandfathering add-on payment policy for half of 2013, until June 30, 2013. In addition, ATRA included a payment adjustment for nonemergency ambulance transports for beneficiaries with end-stage renal disease, which will reduce the fee schedule amount for these services by 10 percent, beginning October 1, 2013. ■

Endnotes

1 The urban, rural, and super-rural add-on payments were initially enacted by the MMA and set to expire December 31, 2008. They have been extended five times since then: Section 146(a) of the Medicare Improvements for Patients and Providers Act of 2008 extended them through December 31, 2009; sections 3105(a) and 10311(a) of the Patient Protection and Affordable Care Act of 2010 extended them through December 31, 2010; section 106(a) of the Medicare and Medicaid Extenders Act of 2010 extended them through December 31, 2011; section 306(a) of the Temporary Payroll Tax Cut Continuation Act of 2011 extended them through February 29, 2012; section 3007(a) of the Middle Class Tax Relief and Job Creation Act of 2012 extended them through December 31, 2012; and section 604 of the American Taxpayer Relief Act of 2013 extended them through January 1, 2014.

2 In 2006, the Office of Management and Budget changed the designation of a number of areas from rural to urban, based on updated data from the Census Bureau. The new designations would have ended the 50 percent add-on payment for air ambulance trips originating in the affected areas. In MIPPA, the Congress enacted a provision requiring these affected areas to continue to be considered rural for purposes of applying the air ambulance rural add-on payment adjustment. The provision was initially set to expire December 31, 2009, but has been extended repeatedly, and now is set to expire June 30, 2013.

ONLINE APPENDIX 7-B

Medicare ambulance claims and payments

TABLE 7B–1

Medicare ambulance claims and payments by type of service, 2011

Type of ambulance service	Claims in 2011 (in millions)	Payments in 2011 (in billions)	Share of payments in 2011	Payments per claim in 2011
All claims	15.25	$5.29	100%	$347
Noninstitutional suppliers	14.37	4.85	92	338
Institutional providers	0.87	0.44	8	502
Ground	15.13	4.90	92	322
Air	0.10	0.42	8	4,908
Ground				
Emergency	8.32	3.05	62	367
Nonemergency	6.72	1.75	36	261
Specialty care transport	0.12	0.09	2	743
Ground				
BLS	9.22	2.54	52	275
Nonemergency	6.36	1.61	33	253
Emergency	2.88	0.94	19	327
ALS	5.81	2.26	46	389
Nonemergency	0.37	0.15	3	398
Emergency (level 1)	5.31	2.04	42	384
Emergency (level 2)	0.13	0.07	1	551
Paramedic intercept	0.00	0.01	0	294
Specialty care transport	0.12	0.09	2	743
Urban	11.59	3.57	68	308
Rural	3.08	1.29	24	419
Super-rural	0.58	0.43	8	738

Note: BLS (basic life support), ALS (advanced life support). Super-rural ZIP codes are those located in a rural county (rural–urban commuting area) that is among the lowest quartile of all rural counties by population density. Type of ambulance service categories may not sum to the "all claims" total due to rounding and the fact that one claim may contain more than one transport.

Source: MedPAC analysis of Medicare Carrier and Outpatient claims files.